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County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 1, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name and title.

Board of Supervisors
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LOS ANGELES COUNTY OFFICE OF EDUCATION PLAN TO ADDRESS THE JUVENILE COURT SCHOOL PROGRAM OPERATING DEFICIT

On October 14, 2008, your Board directed the Auditor-Controller to work with the Los Angeles County Office of Education (LACOE) to review LACOE's Juvenile Court School (JCS) program. The Auditor-Controller contracted with School Services of California Inc. (SSC), to conduct a comprehensive analysis of the fiscal conditions of this program and make recommendations to LACOE that would result in bringing fiscal stability to JCS. This report, which included the SSC's recommendations, was filed by the Auditor-Controller on August 12, 2009.

On October 13, 2009, your Board passed a motion instructing the Chief Executive Office and LACOE to develop a plan that prioritizes and outlines the fiscal impact of implementing these recommendations. Further, your Board requested that this plan identify cost reductions, develop a timeline for implementing the recommendations and identify the cause of LACOE's structural deficit and strategies for mitigating it. This first quarterly report summarizes the progress made to date in addressing these issues.

Fiscal Impact of Implementing Recommendations

After carefully reviewing the 24 LACOE-related recommendations and taking into consideration its current and projected fiscal condition, LACOE determined that it would be cost-effective to move forward with implementation of all of the recommendations and has begun to do so.

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Since many of the recommendations are strongly interconnected and related to each other, their progress will be reported upon within the following categorical breakdowns (see Attachment for a listing of recommendations by category and number).

Accounting Procedures

As recommended, LACOE will continue to use the California School Accounting Manual guidance to account for JCS revenues and expenditures, and use the State prescribed Standard Account Code System to track expenditures by specific program goals and locations. LACOE is monitoring their JCS budget and actual expenditures on a monthly basis and projecting actuals through the end of the budget year. For Fiscal Year (FY) 2009-10, LACOE is examining ways of incorporating these projections into their budget system and regularly reporting this information to LACOE's administration so that it can more closely monitor the financial activities of the JCS program. LACOE also reviewed its JCS program expenses to determine if the budgeted amount for the first interim reporting period was accurately projected and made adjustments to the budget as needed. Additionally, in the subsequent fiscal year, LACOE will begin tracking expenditures by facility to monitor site-specific expenses to improve overall cost reduction planning.

Cost Reductions

LACOE is in the process of reviewing its positions in the JCS program to see if there are ways to restructure or consolidate duties and save on staffing costs. By implementing a new automated student information system that will reduce the staffing needed for site-level data processing and record keeping, LACOE is anticipating a decrease of 15 full-time equivalents (FTE) from FY 2009-10 to 2010-11, a savings of \$1 million. Additionally, some of the administrative and teaching duties in the JCS program have been consolidated by collapsing its Tujunga principal administrative unit (PAU) into the Santa Clarita and Barry J. Nidorf PAUs. This has resulted in the cutting of another 16 FTE positions from the FY 2009-10 budget and a savings of \$1.2 million. This spring, LACOE will explore the elimination of another \$1 million in staffing costs, so long as the **reduction can be achieved without impacting its service delivery and compliance with** the Department of Justice settlement agreement.

To help with employee benefits cost containment, LACOE recently renegotiated with collective bargaining units to begin using its Employee Health and Welfare account from the Joint Benefits Trust to offset increasing health and welfare premiums, which saved approximately \$1.8 million. LACOE also created a retirement incentive for long-term employees at the top of their salary scale by modestly increasing the employer

contribution to health and welfare premiums for retiring employees. Although several employees are retiring as a result of this incentive, actual savings will not be quantifiable until the end of the fiscal year. Cost-of-living adjustments were also suspended for FYs 2007-08 through 2009-10 for all management and non-represented employees, resulting in an estimated savings of \$9.8 million. For bargaining unit staff, each contract has an "equity provision" that makes unit member salaries comparable to like positions in selected school districts. After equity salary adjustments were accounted for, estimated savings for teachers and other represented staff was \$4.9 million. Therefore, COLA cost-containment totals to \$14.7 million.

Revenue Enhancement

LACOE received American Recovery and Reinvestment Act and State Fiscal Stabilization Funds and used those funds in part to offset the JCS special education expenses. LACOE will continue to pursue revenue opportunities through grants and categorical programs, but currently their main strategy for enhancing revenue is working to reduce the JCS structural deficit.

LACOE's JCS Structural Deficit

The existing structural deficit within the JCS program is caused by several factors:

1. The average daily attendance (ADA) model upon which County Offices of Education (COEs) are funded does not adequately take into consideration the significant numbers of JCS students requiring special education services. In a regular K-12 education program, approximately ten percent of the students receive special education services compared to 20 – 30 percent of JCS students. Because of the structure of the current funding model, there is no revenue adjustment for the additional costs these students incur. In FY 2008-09, the excess cost to LACOE for providing special education services in the JCS program was \$11.3 million.
2. Over the last several years, the Division of Juvenile Justice (DJJ) instituted policies that promoted the retention of youth in local jurisdictions who would have otherwise been transferred to the State facility, cutting their enrollment by 77 percent. Additionally, with the passage of Senate Bill (SB) 81 in 2007, serious offenders are being transported from DJJ back into County custody. This has resulted in a higher number of difficult youth now being housed in the County system who need to be segregated and/or protected from other youth, impacting the classroom sizes and staffing needs for the JCS program.

3. The current juvenile hall/camp school classrooms are too small to be cost-effective. Currently, only 54 percent of these classrooms can accommodate more than 17 students. According to the SSC report, LACOE would need to serve 19 students per classroom for the program to break even.
4. A significant number of JCS students require a smaller class size for a number of reasons: their special education needs, their lack of proficiency in English and safety/security concerns as assessed by juvenile hall/camp staff. Additionally, a significant number of youth are also performing below grade level and are in need of remedial instruction. A 2006 data match conducted by the Education Coordinating Council found that the average grade level reading ability of youth entering the JCS program was 4.9, just below the 5th grade; 2007 California Standardized Testing and Reporting (STAR) data found that 65 percent of juvenile offenders tested at "Far Below Basic" on the STAR test. Remedial instruction often requires a smaller class size in order to be effective, further hampering JCS' ability to operate cost efficient classrooms.
5. Despite the high level of variance in JCS program enrollment (i.e. based on criminal activity of the youth, actions of local law enforcement, and decisions of juvenile court judges), LACOE is required to maintain program staffing levels to serve the halls/camps at maximum capacity, regardless of what the actual capacity is.

These factors have led to an increase in the JCS program operating deficit from \$6 million to \$20 million over the last three years. This growing program deficit is jeopardizing LACOE's overall solvency, forcing LACOE to reduce and eliminate other programs to maintain financial stability. However, these efforts cannot sustain themselves over time if the structural deficit is not remedied.

Fiscal Strategies

LACOE is working with the Probation Department to increase the attendance rate for students. Under the current ADA funding model, revenue is generated by the number of students attending school daily. JCS students are often prevented from attending school due to the frequency of court hearings for which they need to appear, transportation issues they experience getting to and from these hearings, appointments with other agencies, and behavior issues occurring at the halls/camps prior to the start of the school day. While other COEs report student attendance rates of 95 - 99 percent, in FY 2008-09, LACOE's JCS student attendance rate was 78 percent in the halls and 86 percent in the camps. If these attendance rates were to increase to 94 percent,

LACOE would generate another \$3.8 million in annual revenue. To help improve these attendance rates, LACOE recently reopened a classroom at Los Padrinos Juvenile Hall so that students could receive educational instruction while waiting for their court hearings to occur. Data is currently being collected on the quality of this instruction and the impact on attendance rates. If it proves successful, this model will be replicated at the other juvenile halls.

In an attempt to narrow the gap between the current operating class size and the cost neutral class size (14.7 versus 19, respectively), LACOE will work to increase class size to 20 students in upcoming contract negotiations. However, as noted above, only 54 percent of current classroom facilities have the capacity to hold more than 17 students. Therefore, even if LACOE is successful in negotiating this, it will not solve the problem completely. Further, the issue of differential class size will arise which will likely require LACOE to offer incentives to teachers for them to accept a larger class size relative to their colleagues.

The Probation Department is interested in pursuing funding that would allow for the reconfiguration of classroom facilities to more effectively meet the educational needs of the current population, as most of the classrooms were built over 50 years ago when the population was significantly different. To align with the goals outlined in the 2008 Comprehensive Education Reform Report, the Probation Department would like to see the creation of smaller classrooms in an effort to enhance learning opportunities for the students. Additionally, the Probation Department is interested in pursuing funding to redesign facilities by creating small podular communities, significantly reducing the number of youth residing together while maintaining the current camp population levels (i.e., approximately 80 youth per camp). Under this model, each "pod" would receive its own educational and rehabilitative services. Although both of these directions are consistent with the research on how to best rehabilitate and educate youth, they run counter to the direction in which LACOE needs to head if it hopes to reduce structural deficit through facility redesign.

Legislative Strategies

LACOE continues to work with the State Legislature and the Governor's Office to secure revenue enhancements for JCS programs statewide. SB 698 (McLeod), which was unanimously supported by your Board, would have changed the ADA funding model to one utilizing average daily enrollment for computing the revenue limit. If this were to become law, it is estimated that it would generate several million dollars in additional annual revenue for LACOE. The dire State budget situation continues to challenge funding for this Bill, though recent discussions with State legislators have

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increased their understanding of this funding dilemma, and its growing effect on other COEs within California. While LACOE persists in supporting SB 698 or a variation thereof, they will begin to explore alternative solutions to significantly reduce this deficit.

Conclusion

We believe that these recommendations are sound, and that LACOE is making solid progress in implementing them. However, the growing JCS program structural deficit is a serious concern. Without a program intervention to significantly increase student attendance, classroom facility redesign, or legislative remedy, the fiscal stability of this program will be severely compromised.

If you have any questions or need additional information, please contact me, or your staff may contact Jackie White at (213) 974-1332 or via e-mail at jwhite@ceo.lacounty.gov.

WTF:JW:KH
CDM:hn

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Probation Department
Education Coordinating Council
Los Angeles County Office of Education

LACOE JCS Plan_Board Memo

Auditor-Controller Recommendations

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